

NEWS FROM ED MARKEY

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Massachusetts Seventh District

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REP. MARKEY REACTS TO REVELATION OF \$1.2 BILLION ACCOUNTING ERROR AT FANNIE MAE

WASHINGTON, D.C. – In response to news reports regarding Fannie Mae's announcement that it had made a \$1.2 billion accounting error in reporting its third quarter earnings, Representative Edward J. Markey (D-MA), who, along with Rep. Christopher Shays (R-CT) has cosponsored H.R. 2022, a bill which would repeal Fannie Mae and Freddie Mac's special exemptions from compliance with the disclosure requirements of the federal securities laws, today issued the following statement:

"Today we are finding out that Fannie Mae made a \$1.2 billion error in accounting for its use of derivatives. This revelation comes on the heels of Freddie Mac having to restate its earnings and dismiss its senior management following revelations of improper accounting practices relating to its use of derivatives.

"When are Congress and the financial regulators going to wake up and realize that the current system of 'voluntary' and partial disclosure for these two companies isn't enough, and that these huge companies should be required to live under the same public disclosure rules as every other corporation in America?"

"Neither the Bush Administration nor the Republican Congressional Leadership seem to want to admit that there is a problem with the approach these two companies have been taking to public disclosure. It seems that both had been exempted from SEC disclosure requirements for so long that they have a rather cavalier approach towards the new disclosure obligations they assumed last year in order to block legislative efforts to repeal their exemptions.

"Freddie Mac has yet to submit the filings it agreed to provide the SEC because it still can't figure out what its derivatives are really worth. And Fannie Mae apparently couldn't calculate the market value of its derivatives properly. I continue to believe that the solution is to repeal these two companies SEC registration and reporting exemptions, so that we can create a better corporate culture that takes disclosure seriously."

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